



Thomas A. Schatz

President

June 14, 2011

U.S. Senate
Washington, D.C. 20510

Dear Senator,

Senator Tom Coburn (R-Okla.) and Dianne Feinstein (D-Calif.) will soon offer Amendment #436 to S. 782, the Economic Development Revitalization Act, to fully repeal the \$0.45 per gallon subsidy to blenders of ethanol and end the tariff on imported ethanol. On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to support this important amendment.

The Volumetric Ethanol Excise Tax Credit (VEETC) is a targeted tax benefit to blenders who already receive federal incentives from the Renewable Fuels Standard, which requires fuel to be blended with ethanol. The ethanol tariff is comprised of a \$0.54 Most Favored Nation duty and a 2.5 percent ad valorem tax. Not only are the tax credit and tariff expensive and unnecessary, they have produced many unfavorable consequences including higher food prices, lower fuel efficiency, greater incidences of engine damage in motor vehicles, and increased dependence on foreign oil.

The House and Senate have agreed to an earmark moratorium for the 112th Congress; it is now time for lawmakers to eliminate corporate welfare programs and repeal fiscally irresponsible targeted tax benefits. According to a March 2011 Government Accountability Office report, the VEETC is “largely unneeded today to ensure demand for domestic ethanol production” and “can be duplicative in stimulating domestic production and use of ethanol, and can result in substantial loss of revenue to the Treasury.” Eliminating the VEETC would save taxpayers at least \$6 billion annually.

A November 27, 2010, *Wall Street Journal* article noted that former Vice President Al Gore, ethanol cheerleader and spiritual leader of the climate change movement, has backtracked on his support for the program, saying it was a “mistake,” and that he only supported it because he had a “certain fondness for the farmers in the state of Iowa” during his presidential run. Gore conceded, “It’s hard once such a program is put in place to deal with the lobbies that keep it going.”

At a time when the nation’s debt has ballooned to more than \$14.4 trillion, members of Congress should be looking for every viable way to cut wasteful, unnecessary and duplicative spending. I strongly urge you to support Amendment #436. All votes on S. 782 will be among those considered in CCAGW’s *2011 Congressional Ratings*.

Sincerely,